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C O N F I D E N T I A L GENEVA 0669

E.O. 11652: GDS

TAGS: SNAR, TU, UN

SUBJECT: NARCOTICS - REPORT OF GREENFIELD TEAM

FOLLOWING IS SECTION GREENFIELD TEAM REPORT CONCERNING
FINANCIAL QUESTIONS:

"35. IT IS ALREADY PLAIN THAT ONCE NEW REGIME IS FARILY
LAUNCHED ON ITS WAY IT SHOULD, AND UNDER COMPETENT
MANAGEMENT WILL, AT ALL STAGES BE SEFL-*FINANCING.

"36. NETHERTHELESS THERE ARE NUMBER OF MAJOR FINCIAL
QUESTIONS WHICH MUST BE ANSWERED BUT FOR WHICH REQUISITE
DATA ARE NOTE YET AVAILABLE.

"37. ON PRIMA FACIE COMPUTATION PRICES OBTAINABLE FOR
POPPY STRAW IN WORLD MARKETS TODAY SHOLD AMPLY COVER PRICE
PAYABLE AT FIELD AAND ALL CONTINGENT COSTS OF COLLECTION,
TRANSPORT, STORAGE AND SHIPMENT TO OVERSEAS DESTINATIONS
FOR EXTRACTION OF MPRPHINE. THIS, HOWEVER, MAY BECOME
OPEN TO DOUBT UNLESS PRODUCT IS EFFICIENTLY MARKETED--
THAT IS TO SAY, UNLESS IT IS KEPT IN PRIME CONDITIOAND
IS SOLD AT BEST PRICES OBTAINABLE. IT FOLLOWS THAT
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PRODUCT SHOULD BE BROUGHT TO POINT OF MANUFACTURE AS

QUICKLY AS POSSIBLE. RECENT DEVELOPMENTS ARE TENDING TO BRING ABOUT A NARROWING OF GAP BETWEEN WORLD SUPPLY AND DEMAND OF MORPHINE, AND ONCE IT IS CLOSED WORLD PRICE OF POPPY STRAW MAY FALL. THIS CONSIDERATION APPLIES WITH PARTICULAR FORCE TO 1975 CROP, WHICH FOR REASONS CITED EARLIER IN REPORT MAY BE DEFICIENT IN CERTAIN RESPECTS. IN SSUBSEQUENT YEARS QUALITY MAY BE BROUGHT TO A LEVEL WHERE IT CAN COMMAND HIGHEST RULING PRICES IN CUUNTRIES TO WHICH IT IS SOLD. EVEN WHEN FACTORY IS COMPETED AND IS IN FULL WORKING THERE MAY BE SOME SURPLUS STRAW FOR SALE, IN WHICH CASE SAME CONSIDERATIONS WILL STILL HOLD.

"38.ON THE OTHER HAND PRICE TO BE PAID TO GROWER WILL BE RELATIVELY CONSITANT. BOTH TMO AND MISSION HABE INDEPENDENTLY ATTEMPTED A FORMULA FOR ASSESSMENT OF WHAT COULD BE REGARDED AS A FAIR PRICE; AND WHILE RESULTS NECESSARILY DIFFER SNCE TWO SETS OF CALCULATIONSARE BASED ON DIFFERENT PREMISES, THEY ARE NOT VERY FAR APORT. PRICE WILL EVENTUALLY BE FIXED BY COUNCIL OF MINISTERS.

"39. SINCE NEITHER REVENUE OBTAINABLE FROM CROP, NOR PRICE THAT WILL IN FACT BE PAID AT FIELD, NOR COSTS TO BE INCURRED IN COLLECTION, TRANSPORT, STOARGE AND SHIPMENT WILL BE KNOWN UNTIL AUTUMN, IT WOULD OBVIOUSLY BE FUTILESS AT THIS STAGE TO ATTEMPT A FINANCIAL ASSESSMENT OF OPERATION OF NEW REGIME IN ITS INITIAL YEAR.

"40. WHAT IS CLEARLY APPARENT, HOWEVER, IT THAT GOVT IS FACED WITH A CONSIDERABLE FINANCILA OUTLAY ON A NUMBER OF COUNTS. A MAJOR ELEMENT WILL BE PRICE PAYABLE AT FIELD, AND ON PRESENT INDICATIONS THIS COULD HARDLY BE EXPECTED TO BE LESS THAN US\$10. MILLION. DEPENDING ON DEGREE OF SUCCESS ATTENDING OVERSEAS MARKETING OPERATION THIS SUMCOULD BE FULLY RECOUPED BY END OF YEAR. BUT IF PART OF CROP REMAINS UNSOLD SOME OF THIS FINANCIAL COMMITMENT WILL CONTINUE TO REST ON SHOULDERS OF GOVT.

"41. ANOTHER SUBSTANTIAL OUTLAY IS REPRESENTED BY
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REINFORCEMENT OF TMO, POLICE AND JANDARMA PERSONNEL TO ENSURE SAFE CUSTODY OF CROP IN FIELD AND IN TRANSIT TO OVERSEAS DESTINATIONS, AND TO GUARD AGAINST CLANDESTINE CULTIVATION WHICH COULD BE ATTEMPTED IN OTHER AREAS AS CONSEQUENCE OF STRICT CONTROL IN DISTRICTS WHERE POPPY GROWING IS PERMITTED.

"42. COMPENSATION MAY ALSO HAVE TO BE PAID TO GOVT EMPLOYEES

RENDERED REDUNDANT BY CHANGE OF REGIME; FOR EXAMPLE
AT OPIUM DEPOT IN ISTANBUL.

"43. DIMENSIONS OF THESE AND POSSIBLE OTHER OUTGOINGS
CANNOT BE KNOWN UNTIL MORE DATA ARE GATHERED AND
ASSESSED DURING COURSE OF THE YEAR.

"44. AGAIN, GOVT IS FACED WITH MASSIVE EXPENDITURE ON
ERECTION, EQUIPMENT, STAFFING AND MANAGEMENT OF PROPOSED
MANUFACTURING INDUSTRY BASED ON POPPY STRAW.

"45. SUM TOTAL OF ALL THESE COMMITMENTS CONSTITUTES
VERY HEAVY BURDEN FOR NATIONAL ECONOMY WHICH IS STILL
UNDERDEVELOPED. HOW IS IT TO BE BORNE?

"46. TO TAKE LAST COMMITMENT FIRST FACTORY PROJECT IS
AN INVESTMENT; AND IF WISE COUNSELS ARE FOLLOWED IT WILL
IN DUE COURSE BE PROFITABLE ONE AND SOLID ADDITION TO
COUNTRY'S INDUSTRIAL DEVELOPMENT. IT OUGHT THEREFORE TO
BE ABLE--IF NOT IMMEDIATELY THEN IN DUE COURSE--TO ATTRACT
INVESTMENT CAPITAL FROM WITHIN TURKEY, THEREBY RECOUPING
ANY INITIAL OUTLAY BY GOVT.

"47. AS TO PAYMENTS TO BE MADE TO POPPY GROWERS IT IS
A NORMAL FEATURE OF BANKING PRACTICE IN NUMBER OF COUNTRIES
TO ADVANCE MONEY ON SECURITY OF A CROP DURING GROWING
STAGE. SUCH ADVANCES HOWEVER WOULD BE LIMITED TO A
PERCENTAGE OF REALISABLE VALUE OF EXPECTED CROP; AND THEY
WOULD BE SUBJECT TO PAYMENT OF INTEREST. CONSIDERATION
MIGHT THEREFORE BE GIVEN TO NEGOTIATIONS OF AN INTER-
NATIONAL LOAN, WHICH COULD PERHAPS BE OBTAINED ON SOMEWHAT
MORE FAVOURABLE TERMS.

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"48. FINALLY SOME INTL CONTRIBUTION MIGHT BE SOUGHT
TOWARDS DEFRAISING EXPENDITURE WHICH CAN BE SHOWN TO BE
DIRECTLY ATTRIBUTABLE TO MEASURES WHICH TURKEY IS ADOPTING
WITH VIEW TO SUPPLEMENTING ESSENTIAL MEDICINAL SUPPLIES
WHILE AT SAME TIME PREVENTING RISK OF LEAKAGE OF
DANGEROUS DRUGS INTO INTL ILLICIT CHANNELS. ANY SUCH
CONTRIBUTION UNDER THIS HEAD WOULD PRESUMABLY BE CLAMINED
ONLY FOR PERHAPS TWO YEARS, BY WHICH TIME ALKALOIDS
FACTORY SHOULD BE IN OPERATION AND NEED FOR INTENSIVE
SECURITY MEASURES WOULD BE REDUCE.

"49. EVIDENTLY THERE IS MUCH RESEARCH TO BE DONE INTO
ALL THESE MATTERS. QUESTIONS ARE URGENT; AND ANSWERS
MUST BE DILIGENTLY SOUGHT."DALE

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